

## Message Text

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43

ACTION EA-14

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15 IO-13

DPW-01 EUR-25 AID-20 EB-11 FAA-00 NEA-10 RSR-01 /164 W

----- 020325

R 221105Z AUG 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 6295

INFO AMCONSUL NHA TRANG

AMCONSUL BIEN HOA

AMCONSUL CAN THO

PMCONSUL DANANG 7061

CINCPAC

USDEL JEC PARIS

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E.O. 11652 N/A

TAGS: PINT, ECON, VS

SUBJECT: SENATE CALLS ON LOWER HOUSE TO REVOKE VAT IN ENTIRETY;

APPROVES THREE INTERNATIONAL ACCORDS

CINCPAC FOR POLAD

REF: A) SAIGON 14821; B) SAIGON A-144, JULY 27, 1973

1. REF A REPORTED AUGUST 16 SENATE EXTRAORDINARY SESSION WHICH DEBATED ECONOMIC SITUATION, ESPECIALLY THE VALUE ADDED TAX (VAT) WHICH ON AUGUST 9 HAD BEEN AMENDED BY PRESIDENT THIEU BY PRESIDENTIAL DECREE. (IT WILL BE RECALLED THAT VAT WAS PROMULGATED UNDER THE PRESIDENT SPECIAL POWERS AS DL 035 OF DECEMBER 21, 1972, AND IMPOSED ON JULY 1, 1973. REF B DISCUSSED CURRENT ECONOMIC PROBLEMS AND THE CONFUSION WHICH FOLLOWED THE IMPOSITION OF THE VAT.) ON AUGUST 16, VARIOUS OPPOSITION SENATORS BITTERLY CRITICIZED THE IMPOSITION OF VAT IN PRINCIPLE BUT AGREED TO POSTPONE ACTION ON THE MATTER TO  
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A LATER SESSION.

2. ON AUGUST 22 THE SENATE MET AGAIN AND CONSIDERED TWO PROPOSALS: TO SEND AN OFFICIAL REQUEST TO THE LOWER HOUSE TO PASS LEGISLATION WHICH WOULD IN EFFECT ACCOMPLISH THROUGH REGULAR LEGISLATIVE PROCEDURES THE AMENDMENTS WHICH THE PRESIDENT PROMULGATED BY DECREE ON AUGUST 9; AND A PROPOSAL TO SEND TO THE LOWER HOUSE AN OFFICIAL REQUEST TO PASS LEGISLATION REVOKING VAT IN ITS ENTIRETY. THE SECOND PROPOSAL, INTRODUCED BY 11 SENATORS AND PUSHED VIGOROUSLY BY SENATORS VU VAN MAU AND NGUYEN VAN CHUC, WAS APPROVED BY A VOTE OF 22 OF 38 SENATORS PRESENT.

3. THE PROPOSAL ADOPTED BY THE SENATE, NOTING THAT RECENT EXECUTIVE MEASURES CONCERNING TAXATION, ESPECIALLY THE IMPOSITION OF VAT, HAVE CAUSED "SERIOUS DISORDER AND CONFUSION IN THE NATIONAL ECONOMY AND MADE THE PEOPLE MISERABLE... DEMANDS THAT THE LH MEET IN EMERGENCY SESSION AND VOTE ON THE FOLLOWING BILL." APPENDED IS A BILL TOTALLY ABOLISHING DL 035.

4. IN EFFECT, THE SENATE, AS IS ITS RIGHT, IS INTRODUCING THIS LEGISLATION IN THE LH. WE UNDERSTAND THAT THE LH COUNCIL OF COMMITTEE CHAIRMAN WILL MEET AUGUST 27 TO DISCUSS THE SENATE ACTION. THERE IS NO PARTICULAR TIMEFRAME WITHIN WHICH THE LH MUST ACT. THE EXECUTIVE EXERTS A GREAT DEAL MORE INFLUENCE IN THE LH THAN THE SENATE, AND IT IS LIKELY THAT THE SENATE MEASURE WILL BE BURIED IN COMMITTEE. IF BROUGHT TO A VOTE, IT WOULD ALMOST CERTAINLY BE DEFEATED.

5. IN OTHER ACTION AUGUST 22, THE SENATE:

A) RATIFIED THE HAGUE CONVENTION ON AIRCRAFT HIJACKING;

B) RATIFIED A COMMERCIAL AIR AGREEMENT WITH CAMBODIA;

C) APPROVED CERTAIN CHANGES IN THE IATA STATUTE.

6. COMMENT: THE SENATE ACTION ON VAT REFLECTS THE GENERAL CONCERN OVER THE ECONOMIC SITUATION, AND ALSO THE LIMITED OFFICIAL USE

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DESIRE OF SOME OF THE OUTGOING OPPOSITION SENATORS (CHUC BEING AN EXAMPLE) TO GET IN SOME LAST LICKS AT THE EXECUTIVE. IT IS DOUBTFUL THAT IT WILL HAVE ANY SUBSTANTIVE EFFECT.  
MARTIN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 AUG 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
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**Previous Handling Restrictions:** n/a  
**Reference:** A) SAIGON 14821; B) SAIGON A-144, JU, LY 27, 1973  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 SEP 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19-Sep-2001 by freemaal>; APPROVED <30-Oct-2001 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SENATE CALLS ON LOWER HOUSE TO REVOKE VAT IN ENTIRETY; APPROVES THREE INTERNATIONAL ACCORDS  
**TAGS:** PINT, ECON, VS  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005